

# Committee report

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| Committee | <b>SCHOOLS FORUM</b>   |
| Date      | <b>11 JULY 2024</b>  |
| Title     | <b>SCHEME FOR FINANCING SCHOOLS 2024/25</b>                    |
| Report of | <b>DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE</b> |

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## EXECUTIVE SUMMARY

1. This report summarises minor housekeeping updates to the Scheme for Financing Schools. The revised Scheme for Financing Schools becomes active from 1 April 2024 in line with the start of the local authority (and maintained schools) financial year.

## BACKGROUND

2. The Scheme for Financing Schools sets out the financial relationship between local authorities and the schools they maintain. It is a significant statutory document that local authorities must publish. Changes to the scheme must involve consultation with all maintained schools and approval from relevant Schools Forum members except when the changes are minor housekeeping or directed revisions by the Secretary of State.

## SCHEME FOR FINANCING SCHOOLS

3. The Isle of Wight Scheme for Financing Schools was last reviewed at the March 2023 Schools Forum. There were no mandated changes at that point.
4. Since then, DfE have communicated changes in legislation relating to borrowing by schools to reflect the introduction of International Financial Reporting Standard 16 (IFRS16) from 1 April 2024 ending the distinction between operating and finance leases at maintained schools and in effect, all leases will be classified as finance leases for accounting purposes.
5. The Secretary of State agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS16 Maintained Schools Finance Lease Class Consent 2024 and include leases related to the following:

- IT equipment
- Telephony
- Catering and cleaning equipment
- Furniture
- Bathroom and sanitary items
- Gym equipment
- Groundskeeping equipment
- LED lighting system
- Minibuses and other vehicles for the use of the school
- Temporary classrooms and equivalent structures (but not land leases they sit on which may require separate consent)

6. The amendments made are shown in point 3.6.3 of the April 2024 Isle of Wight Scheme for Financing Schools. No further changes are proposed to the current scheme.

#### RECOMMENDATIONS

1. That representatives note the update to the Isle of Wight Scheme for Financing Schools applicable from 1 April 2024.

#### APPENDICES ATTACHED

Appendix A – Isle of Wight Scheme for Financing Schools (April 2024)

#### BACKGROUND PAPERS

None

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## **Isle of Wight Council Scheme for Financing Schools April 2024**

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## **1. Introduction**

### **1.1. The funding framework**

- 1.1.1. The funding framework is set out in the legislative provisions in Sections 45-53 of the School Standards and Framework Act 1998.
- 1.1.2. Under this legislation, Local Authorities (LAs) determine the size of their non-schools' education budget. The schools' budget is effectively determined by the size of the Dedicated Schools Grant (DSG), although LAs may decide to apply additional resources to the grant.
- 1.1.3. LAs decide (in consultation with Schools Forum) how much of the schools' budget to retain for centrally managed items, the balance being available for distribution to schools (the Individual Schools Budget, or ISB). The vast majority of the centrally managed funds are for direct educational provision (e.g., case by case funding to schools for pupils with Education, Health and Care Plans, special schools, and early years provision).
- 1.1.4. LAs must distribute the ISB amongst their maintained schools using a formula, in accordance with regulations made by the Secretary of State. This gives each school a share of the budget, known as a "Budget Share". Budget shares are then delegated to the governing body of each school (unless the school is a new school which does not yet have a governing body, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act).
- 1.1.5. The financial controls within which the delegation works are set out in this Scheme, made under the authority of Section 48 of the Act (and regulations made under that section).
- 1.1.6. All proposals to revise the Scheme must be approved by Schools Forum, although the authority may apply to the Secretary of State for approval in the event of Schools Forum rejecting a proposal, or approving it subject to modifications which are not acceptable to the LA.
- 1.1.7. Subject to any such provision made by or under the scheme, governing bodies of schools may spend their funding as they think fit for the purpose of the school, or for community facilities and services, unless there are specific conditions attached (see section 2.15)
- 1.1.8. A LA may suspend a school's right to a delegated budget if the provisions of this Scheme have been substantially or persistently breached, or if the budget has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons, under schedule 17 to the act.
- 1.1.9. Each LA must publish an annual statement, in a format specified by the Secretary of State, giving details of planned central expenditure and funding delegated to schools. After each financial year, the authority must publish a

statement showing actual centrally managed expenditure and actual expenditure by each school, and each school's balance. The details for Isle of Wight are at:

<https://www.iow.gov.uk/schools-and-education/school-funding/>

## **1.2. The role of the Scheme**

1.2.1. This scheme sets out the financial relationship between the Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools.

1.2.2. It applies to all community, nursery, special, voluntary, foundation (including trust), and foundation special schools, and pupil referral units (PRU's) maintained by the Council. It does not apply to academies. A list of schools maintained by the Council is at:

<https://www.iow.gov.uk/schools-and-education/schools/school-contacts/>

## **1.3. Publication of the Scheme**

1.3.1. This Scheme must be published on a website which is accessible to members of the public. It can be found at:

<https://www.iow.gov.uk/schools-and-education/school-funding/scheme-for-financing-schools/>

## **1.4. Revision of the Scheme**

1.4.1. Any proposed revisions to the scheme (other than "housekeeping" changes which have no impact on its meaning) will be the subject of consultation with the governing body and headteacher of every school maintained by the Council, prior to submission for approval by Schools Forum members representing maintained schools. Where the Schools Forum does not approve the revisions, or only approves them subject to modifications considered unacceptable by the Council, the Council may apply to the Secretary of State for approval.

## **1.5. Delegation of powers to the headteacher**

1.5.1. The governing body should consider the extent to which it wishes to delegate its financial powers to the headteacher, and to record its decision (and any revisions) annually in the minutes of the governing body. This should include the setting of cash limits to the decisions that can be made by the headteacher and other staff.

1.5.2. The first formal budget plan of each year, and a revised budget during the year must be approved by the governing body, or by a committee of the governing body, to which that authority has been appropriately delegated.

## **1.6. Maintenance of schools**

- 1.6.1. The Council is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998.

## **2. Financial controls**

### **2.1. Application of financial controls to schools**

- 2.1.1. In managing their delegated budgets, schools must abide by the Council's requirements on financial controls and monitoring, not only those in this scheme. The scheme refers to more detailed publications that contain further requirements.
- 2.1.2. The scheme is consistent with the Council's:
- Contract Standing Orders, subject to section 2.13 below
  - <https://www.iow.gov.uk/council-and-councillors/transparency-our-data/our-suppliers/procurement-rules-and-strategy/>
  - Financial Regulations  
<https://iwc.iow.gov.uk/documentlibrary/view/iow-council-financial-regulations>
- 2.1.3. The school governing body and headteacher should ensure that there is a robust system of internal financial controls in place to minimise the risk of fraud and error, and should have regard to any guidance or advice provided by the Education Finance team or the council's internal auditors.

### **2.2. Provision of financial information and reports**

- 2.2.1. Accurate and timely financial reporting is an indication of good financial management. Where schools fail to meet the reporting timetables, they are likely to fall short of the Schools Financial Value Standard (SFVS). A repetition of failure to meet reporting requirements, particularly if it affects statutory deadlines, e.g. final accounts, VAT, National Insurance, pensions etc., would be a reason for the issuing of a notice of concern, or even suspension of delegated management.
- 2.2.2. All schools are required to submit the following annual financial returns (see section 2.7):
- Approved annual budget by 31 May.
  - Strategic (3 year) Financial Plan by 31 May.
  - Approved revised budget by 30 November.



- Schools Financial Value Standard by 31 March.

2.2.3. Schools should submit a monitoring report in line with the Consistent Financial Reporting (CFR) framework showing details of anticipated and actual expenditure and income if requested by the local authority. This will not be required more often than once every three months unless the authority has notified a school in writing that its financial position requires more frequent submission, or a school is in its first year of operation.

## **2.3. Payment of salaries and bills**

2.3.1. Preparation of payrolls and the payment of salaries, wages, and other emoluments to the employees of schools have been delegated to schools (with the exception of PRUs). Any arrangements should have the approval of the Director of Finance (S151 Officer).

2.3.2. All payments to employees (including casual workers), except petty cash reimbursements up to £100, must be made through payroll. Car allowances including mileage payments to staff must be made through payroll. Under no circumstances may salary/wages (including casual workers) be made through petty cash.

2.3.3. The headteacher is responsible for verifying that all who are paid via the payroll service are properly appointed employees, paid at the appropriate rate. A signed declaration (usually a signed copy of the monthly payroll report) that each month's payroll has been checked must be held for each month and be available for audit review.

2.3.4. The chair of the governing body must authorise, in writing, any change in salary for the headteacher except for standard inflationary increases. A copy of the chair's written approval must be held on file, in order to validate the change.

2.3.5. Details of required returns and payments are listed at Appendix A. There is no grace period when a deadline falls during an inconvenient time such as a school holiday, or during the absence of key staff, and failure to meet any deadlines may result in a notice of concern or even suspension of delegated management.

2.3.6. Payments to suppliers should be made through the school's financial management system. Petty cash should only be used as an exception and for small amounts. On no account may payments be made from petty cash to individuals for services provided. All payments must be supported by proper documentation (e.g. VAT invoices).

## **2.4. Control of assets**

2.4.1. **Leases:** A register of leases needs to be kept and updated each financial year. This includes the 'leasing of assets from third parties', which are

regarded as lessee leases and 'leases of assets to third parties' which are regarded as lessor leases. The register should record the following:

- Asset being leased
- Lessee/ Lessor
- Lease term including start and finish dates
- Annual lease rentals

Prior to signing a lease for an asset with an estimated value greater than £10,000, a copy should be sent to Education Finance Department at IWC ([educationfinanceteam@iow.gov.uk](mailto:educationfinanceteam@iow.gov.uk)). If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease and increases the council's borrowing requirement. For this reason, the Education Finance Department at the Council need to be aware of these agreements by 31<sup>st</sup> March each year.

2.4.2. All schools should maintain an asset register that contains details of significant equipment and capital items and an inventory which contains details of moveable non-capital assets. The register and inventory should be kept up to date and include the following information:

- Date of acquisition
- Description of the asset including a unique identification mark such as a serial number
- Cost
- Source of funding
- Location
- Details of disposal or write off.

2.4.3. Schools will be free to determine their own arrangements for keeping a register of assets worth less than £1,000. However, schools must have a register and will be expected to have regard to the Council's policies on inventories. Schools must ensure that their arrangements meet the school's insurance policy requirements.

2.4.4. Controls such as security marking should be in place to safeguard assets. Schools should consider the best location for the asset. Any changes to the asset register should be authorised by the headteacher and reported to the governing body. Further details are given in the Council's Financial Regulations.

## **2.5. Accounting policies (including year-end procedures)**

2.5.1. Schools' accounts form part of the accounts of the Council. To ensure consistency and correctness, schools must abide by procedures that are issued by the Council.

## **2.6. Writing off of debts**

2.6.1. Headteachers may write off any amount of income due up to a maximum of £100, if they consider it is irrecoverable, and must sign an explanatory record giving reasons for the write-offs. Records must be kept for

inspection.

2.6.2. Write-offs in excess of £100 must be approved by the governing body.

2.6.3. In this context, cancelling an invoice which was raised in error does not constitute a write-off, but the correction of an error. However, documentation to support the cancellation of any invoices must be kept by the school.

2.6.4. All schools must obtain approval from the Director of Finance to write off a debt above £1,000. An email should be sent to [educationfinanceteam@iow.gov.uk](mailto:educationfinanceteam@iow.gov.uk) in the first instance.

## **2.7. Submission of budget plans**

2.7.1. Budget plans should be prepared as realistically as possible. Where a school sets a budget with a contingency, it would be expected practice for the school to review the position during the year.

2.7.2. The school may save/ earmark funds for specific future projects. There is an expectation that funding should be for the benefit of current pupils, and balances should not be accumulated at the expense of current provision. Such funds should be clearly documented as part of the strategic financial plan.

2.7.3. Schools must not plan for a deficit, but if it seems unavoidable, further details on deficit budgets are at section 4.4.

2.7.4. Schools must take full account of the actual or forecast year end surplus/ deficit balance from the previous financial year in their budget plan.

2.7.5. The budget plan must be prepared at general ledger code level, and cover all areas managed by the school (except for cluster funds and unofficial funds). It must be approved by the governing body (this can be at CFR level) and uploaded to the school's finance system by 31 May in the financial year to which it refers.

2.7.6. The 3-year budget forecast will be used as evidence to support the local authority's assessment of schools' financial value standards and also support of the authority's balance control mechanism.

2.7.7. A copy of the three-year strategic plan (which may be at CFR level), signed by the chair of governors and headteacher must be submitted to the Education Finance team by 31 May each year. If the three-year plan shows a deficit in future years, the document and minutes must be annotated by the phrase "The governing body is aware of the future year deficit as shown on this plan and will take action to address it". In exceptional circumstances, such as where work is ongoing to create a deficit recovery plan for an approved deficit budget, the deadline for submission can be extended to 30

June with the agreement of the Education Finance team.

- 2.7.8. The budget plan must be reviewed, and a revised budget must be approved by the governing body, during the autumn term and uploaded to the school's finance system by 30 November and a copy signed by the headteacher and chair of governors must be submitted to the Education Finance team by 30 November. If there are any significant budget concerns or cash flow issues at revised budget, it is recommended to revise the three-year plan.
- 2.7.9. Governors may approve further revisions to the budget during the year. If they believe that it is appropriate to do so, it should then be uploaded to the school's finance system.

## **2.8. Efficiency and value for money**

- 2.8.1. Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account and complying with the Council's purchasing, tendering and contracting requirements.
- 2.8.2. It is for headteachers and governors to determine at school level how to secure better value for money. There can be significant variations in efficiency between similar schools. It is important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.

## **2.9. Audit**

- 2.9.1. As schools' accounts form part of the Council's accounts, all schools come within the internal audit regime determined by the Director of Finance, and the external audit regime of the Council, as determined by the Council's external auditors, and must cooperate with it.
- 2.9.2. Internal auditors may test, review, report and make recommendations on the financial controls operating within the Council including individual schools. This may include examining the economic, efficient and effective use of resources. External auditors may test, review, and report their opinion on the accuracy of the accounts produced by the Director of Finance. Schools must provide access to school records to both internal and external auditors.

## **2.10. Separate audits**

- 2.10.1. Governing bodies are allowed, if they so choose, to spend funds from its budget share to arrange external audit certification of the school's accounts, or for internal auditors to carry out extra checks in order to gain their own assurance. Any such decision to arrange for extra checks cannot remove the Council's right to conduct its own audit or examination of the school's financial affairs.

2.10.2. There is no expectation that this should be the norm. This is merely confirmation that schools can seek an additional source of assurance at their own expense.

## **2.11. Audit of voluntary and private funds**

2.11.1. Most schools have money available from sources other than the Council, which they may use for their general benefit. If such funds are controlled by an employee because of his or her position at the school, but do not pass through the Council's accounts, they are regarded as unofficial funds. The Local Government Act 1972 states that a local authority may require any of its staff to account for all money and property committed to their charge and to produce the relevant supporting documents. To fulfil Section 151 responsibilities, this requirement is extended to include all staff at all schools.

2.11.2. Accounts must be maintained and supporting documents (e.g. receipts) held for all transactions, including a "management trail", and the accounts for any voluntary or private fund held by maintained schools must be audited on an annual basis.

2.11.3. A copy of the audit certificate for private or voluntary funds held by the school, and for any trading accounts controlled by the school, must be submitted to the Education Finance team by 31 August after the year end. The local authority does not have the right to audit or access the accounts of private funds but may take action for non-compliance with the scheme where schools do not provide audit certificates to confirm external assurance for such funds.

## **2.12. Register of business interests.**

2.12.1. The governing body of each school must have a register that lists each member of the governing body, the headteacher, and staff who may influence expenditure:

- Any business interests they or a member of their immediate family have
- Details of any other educational establishments that they govern
- Any relationships between school staff and members of the governing body

2.12.2. The governing body must keep the register up to date with notification of any changes and through annual review of entries. The register should be available for inspection by governors, staff and parents, and it should be published on a publicly accessible website.

## **2.13. Purchasing, tendering, and contracting requirements.**

2.13.1. Schools must abide by the Council's Financial Regulations and Contract Standing Orders in purchasing, tendering and contracting matters and must assess in advance, where relevant, the health and safety competence of

contractors, taking account of the Council's policies and procedures and any EU Procurement Directives.

2.13.2. This scheme is consistent with the Council's Financial Regulations and Contract Standing Orders and links to these documents are in section 2.1 above.

2.13.3. Any provision in Financial Regulations or Contract Standing Orders will be disapplied which would require schools:

- to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive
- to seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year
- to select suppliers only from an approved list
- to seek fewer than three quotes/tenders in respect of any contract with a value exceeding £10,000 in any one year.

2.13.4. In the Contract Standing Orders:

- References to "Delegated Officer" and "Service Manager" include a headteacher
- References to "Officer" include a school business manager
- References to "Executive Member" include the governing body
- The headteacher/governing body of a school can receive and accept tenders
- Consultation with the council's Procurement Team is not required for schools.

2.13.5. Whilst schools are required to follow the Council's Contract Standing Orders, schools must ensure they have their own processes to manage the following requirements of the Contract Standing Orders:

- Standard terms and conditions
- Appropriate records and storage of contract documentation
- Electronic management of the quote/tender process
- An appropriate sign off process for waivers and contract price variations.

## **2.14. Application of contracts to schools**

2.14.1. The Council may arrange contracts on behalf of schools. Schools have the right to opt out of such contracts unless they have lost that right for particular contracts (whenever started) in accordance with a specified written procedure.

2.14.2. Although governing bodies are empowered to enter into contracts (paragraph 3 of Schedule 1 to the Education Act 2002), in most cases they do so on behalf of the Council and owner of the school's funds. However, in some instances, contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment

of staff.

## **2.15. Central funds and earmarking**

- 2.15.1. The authority can make sums available to schools from central funds which are additional and separate from the schools' budget share such as SEN, specific grants or other initiatives.
- 2.15.2. These allocations are subject to separate conditions and should only be spent on the purpose for which it is given. Schools may be required to return funds if not spent within the period stipulated.
- 2.15.3. Allocations to schools from specific grants are subject to any conditions set by DfE or other funding body.
- 2.15.4. The authority may not make any deduction in respect of interest costs to the authority, from payments to schools of devolved specific or special grant

## **2.16. Spending for the purposes of the school**

- 2.16.1. Governing bodies should spend school funding for the purposes of the school.
- 2.16.2. Amounts spent on community facilities or services under section 27 of the Education Act 2002 can be treated as if spent for the purposes of the school. The Council advises governing bodies to consider how Ofsted, parents, and other interested bodies may perceive spending school funding in this way.
- 2.16.3. Schools are allowed to spend their funding on pupils who are on the roll of other maintained schools or academies. Again, the Council advises governing bodies to consider how Ofsted, parents, and other interested bodies may perceive such spending.

## **2.17. Capital spending from revenue**

- 2.17.1. A school must take into account any advice from the Director of Finance (or representative), as to the merits of proposed capital expenditure from revenue funding if it is more than £15,000.
- 2.17.2. If the premises are owned by the Council, or the school has Voluntary Controlled status, then the governing body should seek the Council's consent to the proposed works, but such consent can only be withheld on health and safety grounds.

## **2.18. Notice of concern**

- 2.18.1. The Council will issue a notice of concern to the governing body of a school when, in the opinion of the Director of Finance and the Director of Children's Services, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the

local authority or the school. The notice will set out the reasons and evidence for it being issued.

2.18.2. For schools to which a notice of concern has been issued, the Council will set out the requirements on the governing body in relation to the management of funds, including actions, restrictions, limitations or prohibitions that it must comply with. These may include:

- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school
- Insisting that an appropriately trained/ qualified person chairs the finance committee of the governing body
- Insisting that support is purchased from a financial provider to ensure that school staff have access to financial advice
- Requiring the school to be externally assessed against the SFVS standards and to implement any remedial action identified as being needed to bring the school up to the standards
- Placing more stringent restrictions or conditions on the day-to-day financial management of a school than the scheme requires for all schools (e.g. provision of monthly updates to the Council)
- Insisting on regular financial monitoring meetings at the school attended by local authority officers
- Requiring the governing body to buy into the local authority's finance systems
- Requiring notification of all decisions including contracts of employment that commit the school to more than £5,000, (or an amount specified by the Director of Finance)
- Imposing restrictions or limitations on the manner in which the school manages extended school activity funded from within its delegated funding – for example by requiring the school to submit income projections and/ or financial monitoring reports on such activities
- Requiring the attendance, with full speaking rights, of the Director of Finance's representative at the meetings of the governing body and all relevant committees
- Submission of detailed financial forecasts covering a three year, or other period as specified by the Director of Finance.

2.18.3. The notice will state the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the Council may take where the governing body does not comply with the notice.

## **2.19. Suspension of delegated management**

2.19.1. The School Standards and Framework Act 1998 allows the Council to suspend a governing body's right to a delegated budget if it fails to comply with requirements or mismanages funds. The Council may do this if the provisions of the Scheme for Financing Schools, including the requirements



attached to a notice of concern (or rules applied by the scheme), have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons as stated in section 17 of the Act, but in that case, there is no right of appeal. Alternatively, or in addition, schools may receive a charge against their school budget for any liabilities incurred (see section 6 of this scheme).

- 2.19.2. Every school is reminded that if it concludes an agreement (with a third party) against the Council's wishes or without informing the Council and it is judged to be seriously prejudicial to the interest of the school or the Council, this may constitute grounds for the suspension of the right to a delegated budget.

## **2.20. Schools Financial Value Standard**

- 2.20.1. All maintained schools (including nursery schools and Pupil Referral Units) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at which time of year they wish to complete the form, but it must be submitted to the Council electronically in the format specified by the Education Finance team (with a signed copy retained in the school) by 31 March at the end of the financial year.
- 2.20.2. The standard is self-assessed using the DfE template. The Council will use schools' SFVS returns to inform their programme of financial assessment and audit. A copy of the template can be found on the DfE website at <https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>
- 2.20.3. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the chair of governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

## **2.21. Fraud**

2.21.1. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money or assets.

2.21.2. The governing body and headteacher must inform all staff of school policies and procedures related to fraud and theft (including the whistleblowing policy – see section 11.8), the controls in place to prevent them, and the consequences of breaching those controls. This information must also be included in the induction for new school staff and governors.

## **2.22. Policies**

2.22.1. As part of their internal financial controls, schools should maintain a range of financial policies detailing how they will manage their delegated funding.

2.22.2. It is for school governing bodies to determine the range and content of finance policies to manage their delegated funding, subject to compliance with the local authority's financial regulations and any specific requirements included in this scheme. Aspects that governing bodies should consider include:

- Delegation of financial authority
- Budgeting and financial planning (including virements)
- School fund
- Income (charging and contributions)
- Debt management
- Cash handling
- Asset management
- Procurement
- Petty cash
- Anti-fraud and corruption
- Whistleblowing

## **3. Banking arrangements**

### **3.1. General**

3.1.1. All schools are responsible for the management of their own bank accounts.

### **3.2. Frequency of instalments**

3.2.1. Schools with external bank accounts receive their budget share (including place funding for resourced provisions) in monthly instalments, payable in the Council's first payment run of each month (excluding March). The first instalment, payable at the beginning of April will be 2/12ths of the total budget share, with ten further equal instalments being paid between May and February.

### **3.3. Interest on late budget share payments**

- 3.3.1. In the event of budget share payments to schools with external bank accounts being late due to a Council error, interest at the estimated seven-day money market rate may be paid to the school, for the number of days involved.

### **3.4. Banks and building society accounts**

- 3.4.1. All maintained schools are permitted to have external bank accounts into which budget shares and other funding can be paid.
- 3.4.2. Schools keep all interest earned but bear the cost of all bank charges.
- 3.4.3. Schools are not allowed to overdraw their accounts.
- 3.4.4. Schools with deficit balances cannot have their own external bank accounts until the deficit is cleared.
- 3.4.5. Schools can only start using an external bank account from 1 April (in which case the Education Finance team must be notified by the previous 1 December). Other start dates will be considered by the Council if requested.
- 3.4.6. On becoming a school with an external bank account, the Council will immediately transfer an estimate of the school's credit balance, on the understanding that there will be a subsequent correction once the exact balance is known.

### **3.5. Restrictions on bank accounts**

- 3.5.1. Schools may maintain bank accounts with UK banks consistent with the Council's treasury management strategy. The current treasury management strategy can be found at <https://iow.moderngov.co.uk/Data/Audit%20Committee/20190218/Agenda/Paper%20F%20-%20Treasury%20Management%20Strategy.pdf> and schools should refer to the requirements on operational bank accounts.
- 3.5.2. Where schools intend to change bank, they should contact the Education Finance team in the first instance, and advice can be given on the banks that satisfy the requirements in the treasury management strategy.
- 3.5.3. If a school is advised that an institution no longer complies with the requirements in the treasury management strategy, all accounts with it must be closed immediately after notification from the Director of Finance and any funds returned to the Council pending the opening of a replacement account.
- 3.5.4. If desired, bank accounts may be in the name of the school rather than the Council. However, if a school has such an account, the account mandate must provide that Isle of Wight Council is the owner of the funds, that it is entitled to receive statements, and that it can take control of the account if

the school's right to a delegated budget is suspended. Section 49(5) of the School Standards and Framework Act 1998 states that funds paid by the authority and held in school accounts remain authority property until spent.

### **3.6. Borrowing by schools**

- 3.6.1. Governing bodies may only borrow money with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances.
- 3.6.2. In the context of the above paragraph, the use of credit cards, bank overdrafts, and finance leases constitute borrowing.
- 3.6.3. The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the [IFRS16 Maintained Schools Finance Lease Class Consent 2024](#) and include leases related to the following:
- IT equipment
  - Telephony
  - Catering and cleaning equipment
  - Furniture
  - Bathroom and sanitary items
  - Gym equipment
  - Groundskeeping equipment
  - LED lighting system
  - Minibuses and other vehicles for the use of the school
  - Temporary classrooms and equivalent structures (but not land leases they sit on which may require separate consent)
- 3.6.4. This provision does not refer to any loan schemes which the Council may decide to run in the future, or schemes that can be made available by the Secretary of State.

### **3.7. Banking controls**

- 3.7.1. Schools should ensure that they maintain suitable financial controls for the operation of bank accounts. It is for school governing bodies to determine the policies governing the operation of the bank account, but at a minimum schools should ensure:
- Segregation of preparation and authorisation of payments
  - Monthly reconciliation between the bank account balance and the bank ledger balance in the school's finance system
  - Secure storage of cheques, procurement/debit cards and any bank security devices
  - Bank signatories should be restricted to employees of the school or local authority, and promptly updated for any staffing changes

## **4. Treatment of surplus and deficit balances**

### **4.1. Year end balances**

- 4.1.1. Schools will carry forward from year to year the total balances on individual school budgets.
- 4.1.2. A school's "year-end balance" is the net total balance as at 31 March for all of the budgets that it manages.

### **4.2. Controls on surplus balances**

- 4.2.1. The council does not currently operate a mechanism to clawback excess surplus balances, and schools are not constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate.

### **4.3. Interest on surplus balances**

- 4.3.1. Balances held by the council on behalf of schools do not attract interest. Where schools hold surplus balances in their own balances, they will retain any interest earned on the balance held.

### **4.4. Deficit budgets**

- 4.4.1. Schools should not plan for a deficit except where unavoidable.
- 4.4.2. When the setting of a deficit budget plan seems unavoidable, such as where a school faces significant expenditure or a reduction in income that could not reasonably have been anticipated, the procedures are set out below:
  - The school should discuss the matter with the Education Finance team at the earliest opportunity and **in advance** of governors approving a deficit budget. Before agreeing to the school setting a deficit budget, the Education Finance team will need to be convinced that the deficit is indeed unavoidable, and that the school will be able to produce a plan to clear the deficit within no more than three years.
  - A deficit budget must not be set without prior agreement from the Education Finance team, and that agreement will be subject to producing a satisfactory recovery plan by 31 May. This will need to incorporate a summary of key actions and assumptions.
  - Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2024.

- Where a school plans to enter into a deficit of more than £50,000, the deficit budget and recovery plan must be authorised by the Director of Children's Services.
- As with non-deficit budgets, the budget plan must be approved by governors and entered on the school's finance system by 31 May.
- At the earliest opportunity, but no later than 31 May, a strategic three-year plan must be submitted to the Education Finance team, showing the school coming out of deficit by the end of the third year, i.e. a maximum of two years in deficit. The Education Finance team may agree a one month extension to this deadline if discussions are ongoing with the school.
- The school may be asked to produce evidence in support of figures in the strategic three-year plan and/or to discuss it with Education Finance staff. In the event of the head of the Education Finance team not being satisfied with a plan, the school may be required to alter it (including the plan for the current year).
- In exceptional circumstances only, it may be possible to extend the recovery period to up to five years, i.e. an additional two years. Such requests will need to be approved by Director of Children's Services, who will need to be satisfied that the circumstances are indeed exceptional, and that all reasonable action has been and will be taken to clear the deficit at the earliest opportunity.
- Under no circumstances is a school allowed to remain in deficit for five or more years without either a notice of concern being issued, or the school's delegated budget being suspended.

4.4.3. When a school has not set a deficit budget plan but has a change of circumstances putting the school into or at risk of an unplanned deficit, the school should discuss the matter with the Education Finance team at the earliest opportunity. The Council would expect the school to produce an action plan to reduce the deficit in line with the provisions above, i.e. as quickly as possible and within three years.

4.4.4. If a school has unplanned deficits in consecutive years, it will be necessary for the Education Finance team to discuss this with the school with a view to understanding why and agreeing whatever corrective action may be necessary.

4.4.5. In all instances of deficits (including forecast deficits for future years in the three-year strategic plan), schools may be required to provide information and/ or cooperate with Council officers with a view to ensuring that the deficit is managed and monitored in an appropriate manner.

#### **4.5. Cash advances and payback of deficits**

- 4.5.1. Should a school have concerns during the course of the year that they will enter into an unplanned deficit position and/ or have a cash flow issue these concerns should be raised immediately with the local authority.
- 4.5.2. If the unplanned deficit is agreed with the local authority a formal letter will need to be sent to the local authority from the headteacher and chair of governors requesting the amount of the cash advance required and detailing the reasons why.
- 4.5.3. The local authority has the right to request any supporting documents such as an updated 3 year plan and bank statements and cash flow forecasts.
- 4.5.4. Any cash advances will be deducted in line with the approved deficit recovery plan from budget share instalments. The reduction in funding will be confirmed to the school ahead of any adjustment being made to budget share payments.

#### **4.6. Interest on deficits**

- 4.6.1. The Council may charge interest on deficit balances, up to 0.5% above the Bank of England base rate as on 1 April. It will be charged on the deficit balance at the start of the year. Interest will only be charged after a specific decision by the Director of Finance.

#### **4.7. Loan schemes**

- 4.7.1. It is open to an authority to include in its scheme a form of loan arrangement for schools that does not operate by way of a licensed deficit, but rather by way of actual payments to schools or expenditure by the authority in respect of a particular school on condition that a corresponding sum is repaid from the budget share. The council does not currently operate such a scheme.
- 4.7.2. Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

## **4.8. Writing off deficits**

- 4.8.1. The Council has no power to write off the deficit balance of any school's budget.
- 4.8.2. Assistance towards the elimination of a deficit balance can only be given through the allocation of a cash sum from a de-delegated contingency budget for mainstream schools or from a centrally held budget specified for special schools and pupil referral units in financial difficulty, where Schools Forum has agreed these budgets.

## **4.9. Closing schools**

- 4.9.1. The final balance of a closing school reverts to the Council and cannot be transferred to any other school except where a balance transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010 and Academy Conversions (Transfer of School Surpluses) Regulations 2013.
- 4.9.2. When a school is under notice to become a sponsored academy, the Council reserves the right to put "ordering controls" into place. Ordering Controls involve the need for prior approval from the Director of Finance's staff for orders or payments above a threshold, or the employment of supply cover or the making of new appointments. Such ordering controls are designed to minimise the risks of schools converting to academy status with a deficit balance. They will be carried out in a manner that should cause minimal disruption to the school.

## **5. Income**

### **5.1. Income from lettings**

- 5.1.1. Schools are permitted to keep all income from lettings of the school premises, including formal leases, subject to any joint use of Private Finance Initiative agreements.
- 5.1.2. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.
- 5.1.3. Schools should have regard to any directions issued by the Council on the use of school premises.
- 5.1.4. Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.



## **5.2. Income from fees and charges.**

- 5.2.1. Schools are permitted to keep all income from levying fees and charges, except where a service is provided by the Council from centrally retained funds.
- 5.2.2. All schools must have a charging and remission policy. Charges may not be made for education provided during school hours, except that they may charge for musical tuition of an individual or group of up to four pupils, if the teaching is not an essential part of the National Curriculum or a public examination syllabus.
- 5.2.3. Schools may also charge for:
- Board and lodging
  - public examinations where the pupil has not been prepared by the school, or where the pupil fails without good reason to complete the examination requirements
  - wilful damage to school property, or the misuse or loss of books and equipment.
- 5.2.4. Although charges must not be made for school activities (i.e. activities which are during school time and/ or an essential part of the National Curriculum or public examination syllabus), parents may be invited to make a voluntary contribution towards the cost. If a particular activity cannot take place without financial help, then that can be explained to parents at the planning stage. The essential point is that no pupil may be left out of an activity because his or her parents cannot or will not make a financial contribution.

## **5.3. Income from fund raising**

- 5.3.1. Schools are allowed to keep income from fund raising activities.

## **5.4. Income from the sale of assets**

- 5.4.1. Schools are allowed to retain income from the sale of assets except in cases where the asset was purchased from non-delegated funds in which case the income will belong to the Council.
- 5.4.2. The school must take the advice from the Local Authority on the disposal of surplus or obsolete assets.
- 5.4.3. The sale of land or buildings is subject to different procedures – the advice of the local authority, must be sought and followed.

## **5.5. Value Added Tax**

- 5.5.1. Schools must ensure that VAT is properly accounted for on all income (see the section on VAT below).

## **6. The charging of schools' accounts**

### **6.1. General**

- 6.1.1. The accounts of a school can only be charged without the consent of the governing body in circumstances expressly permitted by this scheme. When the Council intends to raise such a charge, it will consult the school as to the intention to charge and notify schools when the charge has been made.
- 6.1.2. Schools are reminded that the Council cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under section 496 of the Education Act 1996.
- 6.1.3. Any disputes should be directed to the Senior Finance Business Partner (Children's Services) in the first instance. Should agreement not be reached, schools may escalate the dispute to the Director of Finance.

### **6.2. Charging of salaries at actual cost**

- 6.2.1. The Council must charge the salaries of school-based staff to the school at the actual cost (as opposed to a notional cost). By appointing staff, governors have given their consent to their costs being charged to the school.

### **6.3. Circumstances under which charges may be made without the consent of the governing body**

- 6.3.1. The school's accounts may be charged without consent of the governing body in the following circumstances, where applicable:
  - Where premature retirement costs have been incurred without the Council's prior written agreement to bear such costs (the amount chargeable being the excess over any amount agreed by the Council).
  - Other expenditure incurred to secure resignations where the school had not followed Council advice.
  - Awards by courts and industrial tribunals against the Council, or out-of-court settlements, arising from action or inaction by the governing body, contrary to the Council's advice.
  - Expenditure by the Council in carrying out health and safety work, or capital expenditure for which the Council is liable, where funds have been delegated to the governing body for such work, but the governing body has failed to do it.
  - Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Council or the school has voluntary controlled status.

- Expenditure incurred by the Council in repairing persistent, wilful or malicious damage to school premises perpetrated during the school day.
- Expenditure incurred by the Council in insuring its own interest in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Council
- Recovery of money due from a school for services provided to the school, where a dispute over the money due has been referred to a disputes procedure set out in a service level agreement, and the result is that money is owed by the school to the Council
- Recovery of penalties imposed on the Council by the Contributions Agency or HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence
- Correction of Council errors in calculating charges to a school's accounts (e.g. pension deductions)
- Additional transport costs incurred by the Council arising from decisions by the governing body on the length of the school day, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs
- Legal costs incurred by the Council because the governing body did not accept the advice of the Council
- Costs of necessary health and safety training for Council staff, where funding for training had been delegated but the necessary training was not carried out
- Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect
- Cost of work done on teacher pension remittance and records for schools using non-Council payroll contracts; the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligations
- Costs incurred by the Council in securing provision specified in an Education, Health and Care Plan where the governing body of a school fails to secure such provision despite the delegation of notional SEN funds and/ or specific funding for a pupil with high needs.
- Costs incurred by the Council due to submission by the school of incorrect data
- Recovery of amounts spent from specific grants on ineligible purposes
- Costs incurred by the Council as a result of the governing body being in breach of the terms of a contract

- The school's share, based on its carbon tonnes of usage, of the costs of the purchase of Carbon Reduction Commitment (CRC) allowances (where applicable)
- If a school withdraws from a cluster arrangement they entered into voluntarily and this withdrawal results in additional costs to other schools in the cluster or to the Local Authority.
- Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation

## **7. Taxation**

### **7.1. Value Added Tax**

- 7.1.1. All schools covered by this scheme are included in the Council's VAT registration when spending funding made available by the Council. The Director of Finance has produced a tax manual available to all schools, which explains how to identify and account for VAT.
- 7.1.2. Amounts reclaimed on behalf of schools will be passed back to those schools.
- 7.1.3. Expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings is not included in the VAT registration. Schools should seek advice from the Council's VAT team in the event of expenditure on community facilities, as VAT may not be reclaimable.

### **7.2. Construction Industry Scheme (CIS)**

- 7.2.1. To ensure smooth running of the scheme, HMRC has agreed that:
  - For maintained schools, the Council will administer the scheme. To do so, it is important that the Council can get proper information from schools as to the details of expenditure on construction work, and schools must abide by procedures issued by the Council in connection with the CIS.
  - Any maintained schools who do not operate on the Council's financial system will administer the CIS on behalf of the Council, in respect of construction work undertaken at those schools.

## **8. Provision of services and facilities by the Council**

### **8.1. Provision of services from centrally retained budgets**

- 8.1.1. The Council will determine on what basis services provided from centrally retained budgets will be provided, including the funding of premature

retirement and redundancy costs. The Council will not discriminate in its provision of services based on categories of schools, except where such discrimination is justified by differences in statutory duties.

## **8.2. Provision of services bought back from the Council using delegated budgets under service level agreements**

- 8.2.1. Most agreements between the Council and schools will last for a maximum of three years from inception and up to five years for any subsequent agreement relating to the same services. The terms of any agreement should be reviewed at least every three years.
- 8.2.2. The sold services offered by the Council will be at prices intended to generate the full cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.
- 8.2.3. The Council will endeavour, where feasible, to offer services singly as well as in combination packages. Buyback services will not unreasonably restrict a school's freedom of choice among the services available.
- 8.2.4. In signing up to a Service Level Agreement (SLA), the school is consenting to the fixed elements of charges, as outlined in the SLA, being charged to its accounts. Similarly, when a school has signed up to a specific traded service, the terms and conditions of that service will apply. For example, if the terms and conditions require a non-refundable deposit, the school is consenting to that deposit being charged, even if the school subsequently cancels.

## **8.3. Service level agreement start dates**

- 8.3.1. Service level agreements will be in place by 31 March of the previous financial year. Schools will have at least six weeks to consider the terms of agreements.

## **8.4. Insurance service level agreements**

- 8.4.1. The SLA for centrally arranged premises and liability insurance is excluded from the above requirements, as the limitations may be impracticable for insurance purposes.

## **8.5. Teachers Pensions**

- 8.5.1. In order to ensure that the performance of the duty on the authority to supply Teachers pensions with information under the Teachers Pensions Regulations 2014, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.

- 8.5.2. The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the authority to provide payroll services.
- 8.5.3. A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into an arrangement with a body other than the authority to provide payroll services, shall ensure that any such arrangement is varied to require that body to supply salary, service and pensions data to the authority which the authority requires to submit its monthly return of salary and service to Teachers Pensions and to produce its audited contributions certificate.
- 8.5.4. The authority will advise schools each year of the timing, format and specification of the information required.
- 8.5.5. A governing body shall also ensure that any such arrangement is varied to require the Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share. Further information is detailed in Appendix A.

## **9. Private Finance Initiative/ Public Private Partnership (PFI/ PPP)**

- 9.1.1. The Council will issue regulations regarding PFI/ PPP projects if one is developed.

## **10. Insurance**

### **10.1. General**

- 10.1.1. Insurance is delegated to all schools, who then have the opportunity to buy back into the Council's arrangements or a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. This does not cover insurance for community facilities, which is covered in section 13.9.

### **10.2. Schools choosing not to buy into the Council's insurance scheme**

- 10.2.1. If a school chooses not to buy into the Council's scheme, it must:
- Demonstrate that the Council's insurable interests are covered, at least as well as the relevant minimum cover under the Council's scheme. Schools should contact the Council's Legal Services Insurance Section for details of the insurance applicable to schools.
  - Any school intending to purchase insurance not meeting this minimum standard must gain approval from the Legal Services Insurance Section. The Council will have regard to the actual risks that might reasonably be expected to arise at the school in question

when considering minimum levels of cover.

- Make appropriate arrangements to ensure replacement or repair of their buildings and contents if damage arises from explosion, storm, flood, riot or malicious damage, and similar risks. The schedule must include cover for all costs and disbursements (professional fees, provision of temporary accommodation, etc.) Arrangements with their insurer or other provider are expected to match the standard and speed of response currently provided by the Council.
- Cover not only its own liabilities but those of the Council which arise from the action or inaction of the school. Schools that choose to insure risks themselves should arrange for the insurer to provide all insurance and risk management advice, claims handling and legal representation in respect of claims.

10.2.2.Undertake risk assessments to determine whether insurance of the school buildings and contents against theft and terrorism would represent value for money.

10.2.3.Invite tenders every three years, in accordance with tendering procedures.

### **10.3. Voluntary aided schools**

10.3.1.In voluntary aided schools, the buildings are owned by the trustees and not the Council. Therefore, some of the insurance arrangements are the responsibility of the governing body in conjunction with the trustees. Additional insurance should be considered for:

- Damage to the school building from fire, earthquake, storm etc.
- Legal costs of an action due to a fault with the premises.
- Risks arising from events held on school premises and organised by the church or a private individual.

## **11.Miscellaneous**

### **11.1. Right of access to information**

11.1.1.In addition to specific requirements listed in this scheme, the Council may require governing bodies to supply all financial and other information which might reasonably be required to enable the Council to satisfy itself as to the school's management of its delegated budget, or the use of any central expenditure by the authority (e.g. earmarked funds) on the school.

### **11.2. Governors' liabilities**

11.2.1. As the governing body is a corporate body, governors of maintained schools will not incur any personal liability in the exercise of their power to spend the delegated budget share, provided they act in good faith.

### **11.3. Governors' expenses**

11.3.1. Only allowances in respect of purposes specified in regulations made under Section 19 of the Education Act 2002 may be made to governors.

11.3.2. The regulations consider that governors should not be out of pocket and should be able to claim allowances for legitimate expenses incurred in carrying out their duties. The allowances paid should relate to actual costs incurred, apart from mileage costs where any payment should not exceed authorised HMRC mileage allowances. However, attendance allowance and payments for loss of earnings may not be paid.

11.3.3. The Council may delegate funds to meet governors' expenses to the governing body of a school yet to receive a delegated budget.

### **11.4. Health and safety**

11.4.1. In spending the school's budget, governing bodies must have due regard to duties placed on the Council in relation to health and safety matters.

### **11.5. Right of attendance for the Director of Finance**

11.5.1. Governing bodies are required to permit the Director of Finance or representative to attend meetings of the governing body at which any agenda items are relevant to the exercise of the Director of Finance's responsibilities.

11.5.2. Such attendance would normally be limited to items of probity or overall financial management and will not be routine. The Council will give prior notice of such attendance unless this is impracticable.

### **11.6. Special educational needs**

11.6.1. Schools are required to use their best endeavours in spending their budget share, to secure the special educational needs of their pupils.

### **11.7. Interest on late payments**

11.7.1. Schools are reminded that the Late Payment of Commercial Debts (Interest) Act 1998 requires debts to suppliers to be paid within 30 days of receiving the goods/services or receiving the invoice (whichever is the later). The supplier must receive a cheque or cleared funds by the 30th day. Suppliers are entitled to charge interest at Bank of England Base rate plus 8% on late payments, as well as reasonable debt recovery costs.



## **11.8. Whistleblowing**

- 11.8.1. Schools are required to have a whistleblowing policy, enabling people to raise concerns about serious misconduct or malpractice at work, without fear of any retribution, as long as the concerns are raised in good faith.
- 11.8.2. Governors should ensure that all staff and governors are aware of the policy, and that they know where to find it if needed.
- 11.8.3. Further Guidance is included under the Human Resources Section of the Council's schools SharePoint site.

## **11.9. Child protection**

- 11.9.1. Schools are urged to support the work of child protection case conferences and similar events by the release of staff to attend, or by making written submissions. However, there is no requirement for schools to release staff, and the Council does not have a central budget to cover the financial costs involved.

## **11.10. Redundancy and early retirement costs**

- 11.10.1. Any school considering making redundancies or early retirements should discuss the matter with the Education Finance team at the earliest opportunity, especially with regards to clarifying the funding sources.
- 11.10.2. Appendix B gives further details on the funding of such costs.

## **12. Responsibility for repairs and maintenance**

- 12.1.1. The Council is ultimately responsible for the fabric of the buildings of all Council maintained schools. The Council has a duty to ensure that schools are maintaining buildings and fixtures in line with best practice, and to ensure that health and safety requirements are being met and will inspect school buildings in discharging this duty. Failure to maintain buildings and fixtures to an acceptable standard may lead to charges against the school's budget or even the suspension of delegated management.
- 12.1.2. Schools are responsible for the funding of their repairs and maintenance from their budget share or other revenue funding available unless the work is deemed to be capital.
- 12.1.3. Capital expenditure is defined as expenditure to acquire a non-current asset or to enhance one, either by adding value or extending its useful life. There is a standard de minimis amount of £10,000 per project for work to be treated as capital, but individual maintenance items costing in excess of the school's SLA subscription (or for non-subscribing schools, the amount which it would have been) will be considered for capital funding.
- 12.1.4. Schools with capital repairs which exceed the school's ability to fund can make a bid for funding from Council centrally held capital budgets. The

Council may call for evidence of historic school expenditure on repair and maintenance, as well as the outcomes of that expenditure in support of any bid made for centrally held capital funds.

12.1.5. Appendix C contains further details of requirements regarding the management of buildings, and Appendix D contains details of what will be considered for funding from the capital budget.

## **13. Community facilities**

### **13.1. Introduction**

13.1.1. Schools wishing to develop services or facilities for the community are encouraged to discuss proposals with the Council in the first instance.

13.1.2. Schools which choose to exercise the power conferred by s.27(1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by their authority. However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

13.1.3. Community facilities are defined as “any facilities or services whose provision furthers any charitable purpose for the benefit of – (a) pupils at the school or their families, or (b) people who live or work in the locality in which the school is situated.”

13.1.4. Contact should be made with the finance team in the first instance at [educationfinanceteam@iow.gov.uk](mailto:educationfinanceteam@iow.gov.uk)

### **13.2. Controls**

13.2.1. Controls on the power are as follows:

- Regulations made by the Secretary of State under s.28(2), if made, which can specify activities which may not be undertaken at all under the main enabling power.
- Schools’ legal obligations to consult the Council and have regard to advice from the authority.
- Guidance issued by the Secretary of State to governing bodies about a range of issues connected with exercise of the power to which the school must have regard.

- The requirements under s.28(1), to act within the limitations and restrictions contained in a school's own instruments of government.

### **13.3. Relationship with existing community agreements**

13.3.1. Where a school is already carrying out any of the activities covered by this power under the terms of an existing funding or management agreement with the Council, then the terms of that agreement continue to apply.

### **13.4. Consultation with the Council**

13.4.1. Schools are likely to benefit from informal contacts and advice from officers with the relevant professional expertise well before the formal consultation itself. It could also be helpful to all parties if schools gave the Council notice of their intent to exercise the power in advance of the formal consultation itself.

13.4.2. Formal consultation with the Council will commence when the full consultation material has been submitted in writing and the response period will begin from receipt of the full material. Major uses of the power where services have an annual turnover in excess of £100,000 or capital schemes costing more than £100,000 are involved will lead to the Council providing formal advice in writing (which may be e-mail) within eight weeks. In the case of more minor uses advice will be provided within six weeks. Subsequently the governing body should inform the Council of the action taken in response to this advice.

13.4.3. The school should provide the following information in the formal consultation document:

- A full business plan for the provision of the proposed community facilities or services covering the first three years of operation.
- In the case of capital projects affecting the existing buildings on the school site and/or the construction of new buildings then the full plans and costing of the works proposed.
- Details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies.
- Details of the progress on consultations with school staff and parents.
- Expressions of support from potential user groups, district and parish councils, local community groups, neighbouring schools, business representatives, as appropriate.

- Details as to how the facility will be managed and how this relates to the management of the school.
- A statement that the proposed activities will not interfere with the overriding purpose of the school in achieving higher standards for pupils.
- Details of any proposed funding agreements with third parties.
- The insurance arrangements proposed.

13.4.4. Normally the consultation document should be sent to the Business Services Manager via the schools and learning team at [SandLBusiness.Support@iow.gov.uk](mailto:SandLBusiness.Support@iow.gov.uk).

### **13.5. Consultation with other bodies**

13.5.1. Section 28 (4) requires governing bodies to consult the staff of the school and the parents of registered pupils of the school.

13.5.2. School governing bodies should consult the planning and service provision bodies in their neighbourhoods which are currently involved with those sorts of facilities. For example, adult education providers, local colleges and the Education and Skills Funding Agency if adult education is involved. Often the relevant bodies will have plans which affect the activities proposed and may be interested in becoming a partner in the particular project.

13.5.3. Bodies with plans covering the community to be served by the facility or services should be consulted and the degree of fit with the relevant planning frameworks and policies assessed. In particular the following should be consulted if their work could be affected:

- The Children and Young People's Plan, where any developments affecting early years education or childcare are proposed. Schools should also consult local providers of childcare services and be satisfied that the proposals will not undermine the financial viability of existing services.
- The local parish/town council which will have relevant planning policies. Community development plans and the priorities contained therein will be very important for community facility developments. There may also be specific plans for young people, area regeneration, leisure facilities or other relevant areas.
- Agencies such as Sport England and the Arts Council will have policies and strategies in addition to specific plans that will affect not only their funding attitudes but also set their priorities.

- All the schools within the cluster and neighbouring secondary schools.
- The Council's adult learning unit, and local adult and community learning providers including colleges.

### **13.6. Funding agreements with third parties**

- 13.6.1. The provision of community facilities in many schools may be secured through a funding agreement with one or more third parties that will be supplying funding and/ or being a party to the management of provision. A very wide range of bodies and organisations are potentially involved.
- 13.6.2. Any funding agreements with third parties (as opposed to funding agreements with the Council itself) should be submitted to the Council for its comments and advice. Such draft agreements should form part of the consultation with the Council. Schools must have regard to any advice given. The Council may propose conditions relating to access, egress and use of other facilities on the site.
- 13.6.3. Funding agreements with third parties should contain adequate provision for access by the Council to the records and other property of those parties which are held on the school premises in order for the Council to satisfy itself as to the propriety of expenditure on the facilities in question.
- 13.6.4. If an agreement has been or is to be concluded against the wishes of the Council or has been concluded without informing the Council and is judged to be seriously prejudicial to the interests of the school or the Council, that may constitute grounds for suspension of the right to a delegated budget

### **13.7. Financial accounts and information**

- 13.7.1. The principles set out in section 2 relating to preparing budget plans, accounting, audit, employment of staff, treatment of year end balances, taxation, and banking, cover all aspects of the school, including community facilities. It is important to be clear that the community accounts are an integral part of the school's overall accounts. It is essential that the same degree of probity and control of the main school budget is applied to the community facilities.

### **13.8. Service level agreements**

- 13.8.1. Many of the community facilities powers, activities and transactions are not covered by schools' existing SLAs with the Council. This means that local authority services in respect of staff employed, or expenditure incurred in the exercise of these powers, may only be provided at an extra cost beyond the SLA subscription rate. It is important for schools that exercise their

community facilities powers to be absolutely clear what is covered when they sign up to an SLA.

- 13.8.2. When making these arrangements with the Council or other providers, schools will need to ensure the issues surrounding National Insurance and taxation of employees have been fully dealt with.

### **13.9. Health and safety**

- 13.9.1. The requirements set out in this scheme and other regulations relating to health and safety also apply to any community facilities operated by schools.
- 13.9.2. Governing bodies are responsible for meeting the costs of Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.10. Insurance**

- 13.10.1. It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power. Details of these arrangements should be included in the formal consultation material sent to the Council. The Council is not able to offer this insurance under an SLA arrangement.
- 13.10.2. A school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.
- 13.10.3. The Council will undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. This is particularly to safeguard the Council against possible third party claims.

### **Payroll services – submission of returns for those schools not using Isle of Wight Council's payroll systems**

To ensure that the correct returns and payments are made on time, schools not using the Council's payroll systems must send the following details by the specified deadlines to the HR Payroll Service Centre, or other designated organisations. Failure to do so may result in a notice of concern, or suspension of delegated management, as well as any extra costs which may be incurred by the Council as a result of the failure. Due to externally imposed deadlines for many submissions, the deadlines for submission apply equally during school holidays, bank holidays, weekends, and periods of staff absence, and it is not possible to give any grace periods.

#### **1. Aggregation of earnings.**

In this context, schools are considered employers in their own right, and will have their own unique HMRC employers' PAYE reference number.

If a member of staff is working for a school as well as another Council department, their earnings are regarded as being with separate employers, and are not aggregated.

So, if a member of staff has two or more employments with the same school, aggregation is a matter between the school, the payroll provider, and HMRC.

#### **2. PAYE**

As an employer with its own unique PAYE reference number, the school or its payroll provider is expected to make payments to HMRC.

#### **3. Scheme Administration.**

Further information specifying the exact requirements of Pensions Services, and the employers guide, are on the Pensions Services website at:

<https://www.isleofwightpensionfund.org/>

#### **4. PAYE Returns (P14, P35, and P38)**

- 4.1.1. As an employer with its own unique PAYE reference number, the school, or its payroll provider, is expected to make all required returns to HMRC regarding benefits and expenses received by staff during the previous financial year.

## **5. Statistical returns**

- 5.1.1. These returns are received by unique PAYE reference number (e.g. the New earnings Survey each April). Schools are required to complete and return them to the appropriate central government department.



**Responsibility for redundancy and early retirement costs**

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools' budget.

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority has a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the local authority's policy where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a

licensed deficit

- Where staffing reductions arise from a deficit caused by factors within the school's control
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the local authority's redeployment policy

Charge of premature retirement costs to local authority non-schools' budget:

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit.
- Where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

The local authority can retain a central budget within the schools' budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets only, where the relevant maintained school members of the schools forum agree.

The Council policy has been agreed with Schools Forum. Although each case will be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases.

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,

they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

**Maintenance of School Buildings****1. Council and landlord role.**

Land and buildings at community schools remain in the ownership of the Council, which will continue to act as the landlord. At foundation and controlled schools, although the Council is not the owner of the buildings, it does have ultimate responsibility for the building fabric. The legal position for VA schools is significantly different, so the following paragraphs only apply to VA schools where they are specifically mentioned.

**2. The responsibility for all non-capital repairs and maintenance, including related health and safety requirements has been delegated to schools.****3. Best practice and health and safety.**

Property Services provide those schools which subscribe to the SLA with best practice advice in relation to their responsibilities for repair and maintenance of buildings. Schools which do not subscribe are still responsible for abiding by best practice to ensure that buildings remain safe and operational. Particular attention is drawn to a school's responsibility for the health and safety of its occupants and visitors, including contractors employed to work on the buildings, whether through the SLA or not.

At the foot of this Appendix is a list of the main legislative requirements and codes of practice relating to buildings which all schools must comply with. Any work on behalf of schools, as part of the SLA, must comply with these requirements

**4. Survey and inspection.**

The Council has a duty to ensure that schools are maintaining buildings and fixtures in line with best practice and to ensure that all health and safety requirements are being met. In discharging this duty, the Council's representatives make regular inspections of school buildings. Arrangements for such inspections will be made with individual schools, who must not unreasonably deny access to the Council for this purpose.

In accordance with Section 6.3.1 (charges against schools' budgets), a school's failure to maintain buildings/fixtures may lead to a charge against the school's budget if the Council incurs additional costs or liabilities as a result of this failure.

Schools who buy the Property Services SLA are regarded as meeting best

practice and complying with the health and safety requirements covered in this section.

## 5. Approval to undertake alterations.

All schools must seek the written authority from Property Services before undertaking any alteration or structural work and must provide a health and safety plan. Consent can only be withheld on health and safety grounds.

## 6. Contractors.

The Health and Safety Executive (HSE) has advised the Council of the following four important matters concerning the control of contractors, which significantly affect schools' responsibilities for repairs and maintenance:

### 6.1. Some schools use contractors who are not on the register of contractors.

When organising their own work, schools need not use contractors from the Council's register of contractors, but it is strongly recommended.

### 6.2. Local managers (e.g. headteachers, governors, site managers, caretakers etc.) need to be aware of the Council's legal responsibilities, standing orders and have sufficient knowledge to identify contractors who are competent and are not poor health and safety performers.

### 6.3. A school's monitoring of contractors must be proactive in checking health and safety requirements and financial standing.

### 6.4. Poor performing contractors need to be removed from the register of contractors, whether this be the Council's and/ or the school's own list.

Schools must competently discharge all associated responsibilities when appointing and controlling contractors on the school site in accordance with all current legislation and Approved Codes of Practice.

Schools not subscribing to the Property Services SLA will have particular responsibilities to discharge in respect of managing projects that fall within the requirement of the Construction (Design and Management) Regulations 2007.

### Procedures regarding bidding for capital funding

1. The funding for all revenue repair and maintenance work is the responsibility of the school.
2. With structural works, payment of the annual SLA subscription to Property Services covers the funding for such works.
3. In addition to the revenue budgets there is capital funding available through the Council's capital programme to be used to meet the highest priority capital repairs within local authority schools on the island which cannot be addressed by the delegated revenue funds. The Council uses a capital bidding process which is aimed at establishing the highest capital priorities for expenditure.
4. It remains a duty incumbent upon schools to ensure that their buildings remain safe and healthy environments regardless of the outcome of any bid made for capital funding. To ensure school buildings remain safe and healthy environments schools need to use their revenue budgets. To check all schools are discharging their duties, and to be as fair as possible in the use of capital funding, schools are being asked as part of the capital bidding process to evidence their revenue expenditure against repairs and maintenance. Schools may be required to make a contribution to any successful bid for capital funding. The evidence of expenditure will be one of the factors in determining whether schools will be required to make a contribution.
5. Schools will be invited to bid for capital funding for projects and returns will be used to inform the overall priorities for capital expenditure as well as the existing intelligence available for each site.
6. All successful capital bids will be procured and delivered for schools centrally on behalf of the Council.
7. Guidance and the application forms will be provided to schools for each bidding round for the purpose of enabling all schools to apply for funding to undertake capital maintenance works on a fair and equal basis.
8. Academies and Aided schools are excluded as they are dealt with separately through the ESFA Academies Capital Maintenance Fund or equivalent grants given to the Diocesan bodies.
9. The maximum funding available per project will not be limited but those which meet the criteria and can be funded from the grant will be considered.

10. The bids should be for capital works which cannot be funded from schools delegated repairs and maintenance funding. The suggested minimum project values are primary schools £5,000 and secondary £15,000.